

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4797-01  
Bill No.: HB 1528  
Subject: Workers Compensation; Construction and Building Codes; Employees -  
Employers; Insurance - General.  
Type: Original  
Date: January 18, 2016

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Bill Summary: This proposal revises the definition of “employer” as it relates to workers’ compensation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Worker's Compensation	(\$195,987 to \$261,316)	(\$197,947 to \$263,929)	(\$199,926 to \$266,568)
Second Injury Fund	(\$1,175,922 to \$1,567,896)	(\$1,187,681 to \$1,583,575)	(\$1,199,558 to \$1,599,411)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$1,371,909 to \$1,829,212)</b>	<b>(\$1,385,628 to \$1,847,504)</b>	<b>(\$1,399,484 to \$1,865,979)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Labor and Industrial Relations (DOLIR)** estimate that construction industry small businesses would save about \$26,000,000 because they would not pay premiums associated with workers compensation insurance premiums as they would not be regarded as employers that are governed by and subject to the Workers' Compensation Act.

This would reduce the premium base for Workers' Compensation Insurance and thus the amounts collected under the Administrative Tax and the Second Injury Fund Surcharge.

The total decrease to the Workers' Compensation Administration Fund in FY17 is estimated to be between (\$195,987) and (\$261,316). The total decrease to the Second Injury Fund in FY17 is estimated to be between (\$1,175,922) and (\$1,567,896). The FY18 and FY19 estimated fiscal impact each include a 1% increase from the previous fiscal year.

Officials at the **Department of Insurance, Financial Institutions, and Professional Registration, Office of Administration - General Services, Office of Administration - Accounting, Office of Administration - Personnel, Office of Secretary of State, Joint Committee on Administrative Rules, Department of Economic Development** each assume this proposal will not have a fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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### **WORKERS' COMPENSATION FUND**

#### Loss - DOLIR

Lower WC premium collections (1% decrease in premium base)	(\$195,987 to <u>\$261,316</u> )	(\$197,947 to <u>\$263,929</u> )	(\$199,926 to <u>\$266,568</u> )
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### **ESTIMATED NET EFFECT TO THE WORKERS' COMPENSATION FUND**

(\$195,987 to <u>\$261,316</u> )	(\$197,947 to <u>\$263,929</u> )	(\$199,926 to <u>\$266,568</u> )
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**SECOND INJURY FUND**

Loss - DOLIR

Lower WC premium collections (1% decrease in premium base)	(\$1,175,922 to <u>\$1,567,896</u> )	(\$1,187,681 to <u>\$1,583,575</u> )	(\$1,199,558 to <u>\$1,599,411</u> )
<b>ESTIMATED NET EFFECT TO THE SECOND INJURY FUND</b>	<b>(\$1,175,922 to <u>\$1,567,896</u>)</b>	<b>(\$1,187,681 to <u>\$1,583,575</u>)</b>	<b>(\$1,199,558 to <u>\$1,599,411</u>)</b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

DOLIR officials estimate that construction industry small businesses would save about \$26,000,000 because they would not pay premiums associated with Workers' Compensation Insurance premiums.

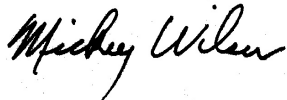
FISCAL DESCRIPTION

This bill adds any person or corporation in the construction industry to the definition of "employer" as it relates to Workers' Compensation Law.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations  
Department of Insurance, Financial Institutions, and Professional Registration  
Office of Administration - General Services  
Office of Administration - Accounting  
Office of Administration - Personnel  
Office of Secretary of State  
Joint Committee on Administrative Rules  
Department of Economic Development



Mickey Wilson, CPA  
Director  
January 18, 2016

Ross Strobe  
Assistant Director  
January 18, 2016